

Testimony of

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United States Committee on Small Business and Entrepreneurship

“Liberty City Rising: Achieving Upward Mobility through Small
Business and Community Partnerships”

February 1, 2019

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Brian Van Hook, Associate Director, Florida SBDC at FIU**

Chairman Rubio, thank you for chairing this hearing and for the opportunity to appear before the committee today. I appreciate your and the Committee’s attention to small businesses in Miami-Dade County, particularly those here in Liberty City.

My name is Brian Van Hook and I am Associate Director of the Florida Small Business Development Center (SBDC) at Florida International University (FIU). Our center is a U.S. Small Business Administration (SBA) resource partner focused on helping grow businesses in Miami-Dade County. Recently, we also expanded our service area to cover Monroe County as well.

In particular, our dedicated team of seventeen experienced experts provides quality one-on-one business consulting to entrepreneurs and business owners in order to help them grow and succeed. This consulting is confidential and is provided at no cost to the business owner. Areas of assistance include: Access to capital; financial management; business plan assistance; growth strategies; startup assistance; operations management; data/research; human resources; procurement assistance; international trade and more.

Our center works with more than 900 entrepreneurs a year and does not take for granted that we are able to do so because of support from the Federal government and the State of Florida, along with private sector and foundation partners. As such, we are laser focused on tracking our client outcomes, as required by Congress and the SBA. This helps us ensure that we are providing a positive return on investment for the taxpayer. The best part: the impact is counted and attributed to our center only if it is verified by our clients.

One reason we love our jobs is that, for our center to be successful and to achieve goals, we need to generate tangible successes and outcomes for our small-business clients. When we help generate additional sales for a local business that often translates to more money in the pockets of a local family. When we help a business secure capital to expand, that often means they hire additional workers or invest in the local community. And every business successfully launched creates opportunities for other businesses, funders and the local community.

With that in mind, I am proud to report that since 2014, our consulting team has worked with more than 2,800 Miami-Dade County businesses to:

- Generate more than \$1.07 billion in additional sales
- Access more than \$121.3 million in business capital (loans and equity investments)
- Create, retain or save more than 9,990 jobs
- Launch more than 147 new businesses; and
- Train more than 2,697 entrepreneurs and business owners via events with Florida SBDC at FIU and our sister center, FIU’s Pino Global Entrepreneurship Center

Additionally, with regard to government contracting, we work with a Florida Procurement Technical Assistance Center (PTAC) specialist. This program is funded in part through a cooperative agreement with the U.S Department of Defense’s Defense Logistics Agency. Our partner PTAC Specialist helps businesses obtain registrations and certifications, prepare bids, and even match them with contracting opportunities from agencies that buy goods and services. Since 2014, our PTAC Specialist and the rest of our

SBDC consulting team helped local businesses secure more than \$45.7 million in federal, state and local contracts.

One of these clients is Ed Haynes, founder of Haynes Security Services. Ed has been in law enforcement for more than 30 years. He served in the U.S. Marine Corps and was the first black police officer in the Village of Miami Shores.

Ed Haynes started the business in 2011 near Liberty City and his Congressional representative was one of his first clients. Haynes Security Services has since expanded to provide security for real estate development companies, at events and the Miami-Dade Metrorail. The company also trains guards to obtain the appropriate licenses and certifications. In 2017, Haynes Security Services received both the SBA South Florida District Office and State of Florida Veteran-Owned Business of the Year awards from the SBA.

Florida SBDC at FIU assisted Haynes Security Services with maintaining existing contracts and securing necessary capital to go after new contracts. In particular, our team worked with the company to prepare financial documents and find the right lender. The result was a \$50,000 loan from the Miami Bayside Foundation for equipment and working capital to help with payroll costs. This has allowed Ed to grow his company from 8 employees in 2015 to more than 35 today.

Ed is proud to remind you that he has the awesome responsibility of providing for more than 30 families, including his own. Two of his daughters work in the business and his wife is the Chief Financial Officer. Our center has continued to work with the company as they grow and pursue larger contracts.

Now that you have some background on our center and learned about one of our great clients, I would like to discuss the redevelopment that is occurring here in Liberty City. As you know, the Liberty Square project is one of the largest affordable housing projects in the country – almost \$300 million in total. The redevelopment promises new opportunities for families, the community as a whole, and, as we are here to discuss, local small businesses.

It is my understanding that the developer, Related Urban Development Group, committed to create a small business program for all construction, goods, and services related to the project. There also was a commitment to provide contracts to Section 3, Small Business Enterprises (SBEs), Minority Business Enterprises (MBEs), and Women-Owned Business Enterprises (WBEs).

With redevelopment projects of this size, it is common for larger out-of-state firms to come in to compete to be part of the project. You also see national restaurant and retail establishments come in to set up shop in the community. It is important to not lose sight of the successful, locally grown businesses that have been here and are committed to be here for the long term. These anchor businesses can play a vital role in the community's growth.

For this reason, I look forward to the testimony of other witnesses at today's hearing for an update on progress made toward these small business goals. There are countless businesses in this community, including a number of our SBDC at FIU clients, which are qualified for the work and would love to participate in the project.

In terms of challenges that these businesses face in bidding on and winning contracts, access to capital is a major issue. As businesses grow and compete for larger contracts, they often struggle to maintain the cash flow necessary to service the contracts. This is where groups such as SBDC come in. We work with business owners to improve their financial management and better budget for expected growth. Furthermore, otherwise successful businesses struggle with standard 30, 60, or 90-day delays between when

work is completed and when they receive payment. We encourage business owners to focus on building their bonding capacity and to remember the best time to get a line of credit is when business is good. Too often, business owners don't explore financing options until they are in dire straits or are pressed for time with an upcoming contract.

Access to capital is a necessity not only for contractors but for all businesses seeking to grow. Our center casts a wide net when helping our local small businesses obtain capital – by assisting businesses not only in obtaining loans but also obtaining equity investors.

For this reason, we appreciate your attention to the SBA's Small Business Investment Company (SBIC) program. It is my understanding that the original intent behind creating the SBIC program was to address gaps in long-term funding for scalable, growth-focused small businesses. As such, many of SBA's great success stories such as Apple, FedEx, Callaway Golf and Outback Steakhouse received SBIC funds and went on to become the global brands they are today.

These days, if you visit the SBIC Directory on the SBA website, you'll find it lists seven SBICs in Florida. Of those seven, three are listed as "Not Likely Still Investing". Two of the SBICs that appear to be inactive are from here in Miami. The remaining three SBICs that are active are located in Tampa (2) and in Orlando (1).

To better help small businesses grow, it's important to have as many "tools in the toolbox" as possible. That is because depending on the business size, business stage, the expected use of funds, and industry, suitable financing options will differ from business to business. Therefore, we encourage opportunities to increase the pool of capital available to grow Miami-Dade's small businesses.

In closing, I know that your committee is not just looking for our perspective but also for available data that will help guide redevelopment in this community. It just so happens that our center last summer issued a report that gives a snapshot of Miami-Dade businesses. The Florida SBDC at FIU commissioned the report, which was produced by the FIU Metropolitan Center. The name of the report is "Small Business. Big Impact: Report on Small Businesses in Miami-Dade County 2018"

Among the findings of the study:

- 81.3 percent of all businesses in the county are microbusinesses or companies with fewer than 10 employees;
- Miami-Dade had the highest percentage of microbusinesses among six comparison counties studied;
- Half of the businesses with only one employee paid an average wage of \$24,000 or less;
- For businesses with 2 to 9 employees, half the companies had average wages of \$30,667 or less;
- Between 2005 and 2015, the number of non-employer establishments in the Miami-Dade area rose 55.9 percent, almost three times the national rate

Along with this written testimony, we have submitted a full copy of the study so that you may review its findings in greater detail.

It is our hope that the hearing today will help ensure that development in Liberty City helps create opportunities for local small businesses, as well as jobs for our community. We also look forward to any collaborations that our center can foster with groups in attendance.

In closing, thank you again Chairman Rubio for the invitation to speak today. As a former staffer of this Committee, I am grateful for your time and focus on growing our nation's small businesses.